



OPCOM HOLDINGS BERHAD

(Company No: 322661-W)

QUARTERLY INTERIM FINANCIAL REPORT

For the Quarter Ended 30 September 2017

The Directors are pleased to announce the following:-

Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 30 September 2017

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30/09/2017 RM'000	Preceding Year Corresponding Quarter 30/09/2016 RM'000	Current Year To Date 30/09/2017 RM'000	Preceding Year To Date 30/09/2016 RM'000
Revenue		22,682	23,413	45,141	49,899
Cost of sales		(19,404)	(18,593)	(38,728)	(38,958)
Gross profit		3,278	4,820	6,413	10,941
Other operating income		74	194	117	1,219
Administrative expenses		(3,450)	(1,973)	(5,563)	(4,051)
Distribution costs		(609)	(708)	(1,413)	(2,264)
Other operating expenses		(864)	(624)	(1,423)	(1,248)
Finance costs		(50)	(25)	(87)	(49)
Operating (loss)/profit		(1,621)	1,684	(1,956)	4,548
Interest income		182	222	428	392
Share of profit of equity-accounted associates, net of tax		214	652	920	788
(Loss)/Profit before tax		(1,225)	2,558	(608)	5,728
Income tax expense		(213)	(735)	(569)	(1,506)
(Loss)/Profit for the period	B13	(1,438)	1,823	(1,177)	4,222
Other comprehensive (expenses)/ income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss:-</i>					
Translation differences		(420)	614	(1,218)	1,213
(Loss)/profit and total comprehensive (expenses)/income for the period		(1,858)	2,437	(2,395)	5,435



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Unaudited Condensed Consolidated Statement of Comprehensive Income for the Quarter and Financial Period Ended 30 September 2017 (continued)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2017 RM'000	Preceding Year Corresponding Quarter 30/09/2016 RM'000	Current Year To Date 30/09/2017 RM'000	Preceding Year To Date 30/09/2016 RM'000
(Loss)/Profit for the period attributable to:-				
Owners of the Company	(846)	1,906	(155)	4,309
Non-controlling interest	<u>(592)</u>	<u>(83)</u>	<u>(1,022)</u>	<u>(87)</u>
	<u>(1,438)</u>	<u>1,823</u>	<u>(1,177)</u>	<u>4,222</u>
Total comprehensive (expenses)/ income attributable to:-				
Owners of the Company	(1,266)	2,520	(1,373)	5,522
Non-controlling interest	<u>(592)</u>	<u>(83)</u>	<u>(1,022)</u>	<u>(87)</u>
	<u>(1,858)</u>	<u>2,437</u>	<u>(2,395)</u>	<u>5,435</u>
Earnings per share attributable to owners of the Company:-				
Basic (sen)	<u>B11 (0.52)</u>	<u>1.18</u>	<u>(0.10)</u>	<u>2.67</u>
Diluted (sen)	<u>B11 Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>	<u>Not applicable</u>

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



OPCOM HOLDINGS BERHAD

(Company No: 322661-W)

Unaudited Condensed Consolidated Statement of Financial Position as at 30 September 2017

	Note	As At Financial Period Ended 30/09/2017 RM'000	As At Preceding Financial Year Ended 31/03/2017 RM'000
Non-current assets			
Property, plant and equipment	A9	41,506	42,272
Investment in associates		16,088	16,575
Deferred tax assets		31	31
		57,625	58,878
Current assets			
Inventories		10,504	9,983
Trade and other receivables		26,645	25,488
Current tax assets		1,265	919
Cash and cash equivalents		25,353	36,610
		63,767	73,000
TOTAL ASSETS		121,392	131,878
Equity			
Share capital		32,250	32,250
Reserves		3,060	4,278
Retained earnings		48,745	52,125
		84,055	88,653
Non-controlling interest		10,748	11,670
Total equity		94,803	100,323
Non-current liabilities			
Deferred tax liabilities		1,767	1,714
Long term borrowings		43	71
		1,810	1,785
Current liabilities			
Trade and other payables		22,722	25,578
Provisions		106	134
Bank borrowings		1,951	3,947
Current tax liabilities		-	111
		24,779	29,770
Total liabilities		26,589	31,555
TOTAL EQUITY AND LIABILITIES		121,392	131,878

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



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Unaudited Condensed Consolidated Statement of Changes in Equity for the Financial Period Ended 30 September 2017

Group	<i>Non-Distributable</i>		<i>Distributable</i>		Total RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Capital reserve RM'000	Translation reserve RM'000	Retained earnings RM'000			
Balance at 1 April 2017	32,250	3	4,275	52,125	88,653	11,670	100,323
(Loss)/Profit and total comprehensive (expenses)/ income for the period	-	-	(1,218)	(155)	(1,373)	(1,022)	(2,395)
Issuance of shares to non-controlling interests	-	-	-	-	-	100	100
Dividend paid	-	-	-	(3,225)	(3,225)	-	(3,225)
Balance at 30 September 2017	<u>32,250</u>	<u>3</u>	<u>3,057</u>	<u>48,745</u>	<u>84,055</u>	<u>10,748</u>	<u>94,803</u>
Balance at 1 April 2016	32,250	3	1,462	48,153	81,868	12,944	94,812
Profit/(Loss) and total comprehensive income/ (expense) for the period	-	-	1,213	4,309	5,522	(87)	5,435
Dividend paid	-	-	-	(3,225)	(3,225)	-	(3,225)
Balance at 30 September 2016	<u>32,250</u>	<u>3</u>	<u>2,675</u>	<u>49,237</u>	<u>84,165</u>	<u>12,857</u>	<u>97,022</u>

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



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Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 30 September 2017

	Current Financial Period Ended 30/09/2017 RM'000	Preceding Financial Year Corresponding Period Ended 30/09/2016 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before tax	(608)	5,728
Adjustments for:-		
Depreciation	1,578	1,413
Interest Income	(428)	(392)
Other Non-cash items	(714)	(181)
Other Non-operating items	(63)	(739)
Operating (loss)/profit before working capital changes	<u>(235)</u>	<u>5,829</u>
Changes in working capital:-		
Inventories	(1,138)	(5,923)
Trade and other receivables	(4)	(9,121)
Trade and other payables	(2,916)	8,159
Provisions	28	512
Cash for operations	<u>(4,265)</u>	<u>(544)</u>
Tax paid	(967)	(1,321)
Liquidated damages paid	(21)	-
Net cash used in operating activities	<u>(5,253)</u>	<u>(1,865)</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,691)	(1,606)
Proceeds from disposal of property, plant and equipment	657	-
Interest received	428	386
Subscription of shares by NCI in a subsidiary	100	-
Net cash used in investing activities	<u>(506)</u>	<u>(1,220)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Dividends paid	(3,225)	(3,225)
(Repayment)/Proceeds from bank borrowings	(1,830)	1,784
Finance costs paid	(87)	(49)
Net cash used in financing activities	<u>(5,142)</u>	<u>(1,490)</u>
Net decrease in cash and cash equivalents	(10,901)	(4,575)
Effect of exchange rate fluctuations on cash held	(356)	-
Cash and cash equivalents at beginning of financial period	36,610	40,158
Cash and cash equivalents at end of financial period	<u>25,353</u>	<u>35,583</u>



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**Unaudited Condensed Consolidated Statement of Cash Flows for the Financial Period Ended 30 September 2017
(continued)**

Cash and cash equivalents included in the Statement of Cash Flows comprise of the following amounts in Statement of Financial Position:-

	Current Financial Period Ended 30/09/2017 RM'000	Preceding Financial Year Corresponding Period Ended 30/09/2016 RM'000
Deposits placed with licensed banks	12,800	20,200
Cash and bank balances	12,553	15,383
	<u>25,353</u>	<u>35,583</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 March 2017.



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Notes on the Quarterly Interim Financial Report - 30 September 2017

A. EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRSs") 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

These condensed consolidated interim financial statements for the current quarter have been prepared in accordance with MFRS 134, *Interim Financial Reporting* and Rule 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements of the Group as at and for the financial year ended 31 March 2017 which was prepared in accordance with the MFRSs. The explanatory notes attached to these interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2017.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 March 2017 except for the adoption of those new Malaysian Financial Reporting Standards ("MFRS") and amendment to MFRS and Interpretations that are applicable to the Group for the financial period beginning 1 April 2017.

The adoption of these Amendments to MFRSs does not have any material impact on the financial statements of the Group.

A2. Audit Report

The Audit Report of the Group's annual financial statements for the financial year ended 31 March 2017 was not subject to any audit qualification.

A3. Seasonality of Interim Operations

The fiber optic cables, engineering services and thixotropic gel markets are observed to be seasonal in nature and dependent on the general economic and business environment. Given its experience in these markets, the Group is well positioned to ameliorate any seasonal fluctuation of demand for its products.

A4. Unusual Items

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flows other than those disclosed elsewhere in these notes.

A5. Changes in Estimates

There were no changes in the estimates of amounts reported that have a material effect in the current quarter.

A6. Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter.

A7. Dividends Paid

The company paid a dividend of 2.0 sen per ordinary share under the single tier system on 08 September 2017 (30 September 2016: A dividend of 2.0 sen per ordinary share under single tier was paid on 18 August 2016).



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Notes on the Quarterly Interim Financial Report - 30 September 2017

A8. Segmental Reporting

The Group operates wholly in Malaysia.

The Group's segmental report for the financial period are as follows:-

30 September 2017

<u>Business Segments</u>	Manufacturing RM'000	Trading & Engineering Services RM'000	Other Operations RM'000	The Group RM'000
Segment revenue:				
Revenue from external customers	35,333	9,773	35	45,141
Segmental profit:				
Operating profit/(loss) for reportable segments	1,685	(1,453)	(2,101)	(1,869)
Interest income				428
Finance costs				(87)
Share of results of associated companies				920
Loss before tax				(608)
Income tax expense				(569)
Loss after tax				(1,177)

30 September 2016

<u>Business Segments</u>	Manufacturing RM'000	Trading & Engineering Services RM'000	Other Operations RM'000	Consolidated RM'000
Segment revenue:				
Revenue from external customers	43,419	6,446	34	49,899
Segmental profit:				
Operating profit/(loss) for reportable segments	6,875	(376)	(1,902)	4,597
Interest income				392
Finance costs				(49)
Share of results of associated companies				788
Profit before tax				5,728
Income tax expense				(1,506)
Profit after tax				4,222



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Notes on the Quarterly Interim Financial Report - 30 September 2017

A9. Valuations of Property, Plant and Equipment

The Group did not carry out any valuation on its property, plant and equipment.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of current quarter that have not been reflected in the financial statements for the current quarter.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter.

A12. Changes in Contingent Assets or Contingent Liabilities

There were no contingent liabilities or contingent assets as to the date of this report.

A13. Significant Related Party Transactions

The significant related party transactions during the current quarter and financial period ended are as follows:-

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2017 RM'000	Preceding Year Corresponding Quarter 30/09/2016 RM'000	Current Year To Date 30/09/2017 RM'000	Preceding Year To Date 30/09/2016 RM'000
A related company in which substantial shareholders of the Company and a Director of a subsidiary have interests:-				
Purchase of accessories	26	1,245	93	3,089
Business development commission	349	249	643	359
Associate of a subsidiary of the Company:-				
Sale of industrial materials	2,302	4,190	5,484	9,166
Sale of thixotropic gel	3,465	-	9,690	-
Purchase of raw materials	1,730	-	3,600	260



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B. ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD ACE MARKET LISTING REQUIREMENTS

B1. Review of Performance

The Group registered revenue of RM22.7 million and loss before tax of RM1.2 million in current quarter as compared to revenue and profit before tax of RM23.4 million and RM2.6 million respectively in the preceding year's corresponding quarter. The decrease of revenue in current quarter were mainly due to decrease in the supply of cable, trading of industrial materials and engineering services. Key factors for the operating losses were mainly attributable to increased raw material prices for optical fiber and lower sales revenue for most of the company's products and services in the second quarter.

Performance of the respective operating business segments in the current quarter compared to the preceding year's corresponding quarter are as follows:-

- a) Manufacturing - Total manufacturing revenue decreased by 10.2% as compared to preceding year's corresponding quarter. Revenue from our fiber optic cable business was marginally decreased by 2.3% and our thixotropic gel business registered strong growth with sales RM3.7 million and growth rate approximately 129.3%.
- b) Trading and Engineering Services - The decrease in revenue by 38.7% in current quarter as compared to preceding year's corresponding quarter was due to decrease in both trading of industrial materials and engineering services work.
- c) Other Operations - The revenue contribution in current quarter was consistent with preceding year's corresponding quarter.

B2. Variation of Results Against the Immediate Preceding Quarter

The Group's revenue increased to RM22.7 million in current quarter as compared to the immediate preceding quarter of RM22.5 million. The Group registered a loss before tax of RM1.2 million in the current quarter as compared to profit before tax of RM0.6 million in the immediate preceding quarter. Shipment of fiber optic cables and engineered plastics increased marginally but was off-set by lower sales contribution from thixotropic gel, trading and engineering services.

Performance of the respective operating business segments in the current quarter compared to the immediate preceding quarter are as follows:-

- a) Manufacturing - Total revenue increased by 13.2% in current quarter. It was due to the increased in the supply of fiber optic cables by 47.3% to customers compensated by the decreased in the gel supply by 41.7% during the quarter.
- b) Trading and Engineering Services - The decrease in revenue by 33.6% in current quarter was due to decrease in revenue of both trading of industrial materials and engineering services.
- c) Other Operations - The revenue contribution in current quarter was consistent with immediate preceding quarter.

B3. Prospects

The Group's profit margin continues to be under pressure from higher raw materials cost, unfavorable exchange rate, challenging business environment and limitations in passing increased cost to its customers in the short term. The Group has successfully diversified its manufacturing operations to include thixotropic gels, engineered plastic materials and engineering services which will contribute to the Group's future business prospects.

The Board is of the opinion that the remaining quarters of the financial year will be challenging and management is doing its utmost to improve the overall cost structure of the Group.



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B4. Profit Forecast and Profit Guarantee

The Group has not issued any profit forecast and profit guarantee in any public document.

B5. Income Tax Expense

	Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Tax expense	182	740	506	1,499
Deferred taxation	31	(5)	63	7
	<u>213</u>	<u>735</u>	<u>569</u>	<u>1,506</u>

The effective tax rate of the group for current quarter and year-to-date of reporting period is higher than the statutory tax rate was due to subsidiaries in a loss position and non-deductible expense.

B6. Status of corporate proposals as at 21 November 2017

(being a date not earlier than seven (7) days from the date of issue of the quarterly report)

There was no corporate proposal announced but not completed as at 21 November 2017.

B7. Group Borrowings and Debt Securities

The Group's borrowings are unsecured, the details of the borrowings at the end of the reporting period are as follows:-

	Currency Denomination	As at	As at
		30/09/2017 RM'000	30/09/2016 RM'000
<u>Current</u>			
- Foreign currency trade facilities	USD	1,951	5,315
- Hire purchase	MYR	48	-
		<u>1,999</u>	<u>5,315</u>
<u>Non-current</u>			
- Hire purchase	MYR	43	-
Total		<u>2,042</u>	<u>5,315</u>

B8. Derivative Financial Instruments

The Group has entered into forward exchange contracts to manage the foreign currency exposures arising from the Group's receivables and payables denominated in currencies other than the functional currency. The forward exchange contracts have maturities of less than one year after the end of the reporting period.

The Group's derivative financial instruments as at 30 September 2017 as follows:-

	Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Loss from foreign currency hedging contracts	-	58	-	112
	<u>-</u>	<u>58</u>	<u>-</u>	<u>112</u>



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B9. Material litigation as at 21 November 2017

(being a date not earlier than seven (7) days from the date of issue of the quarterly report)

The Group has no outstanding material litigation as at 21 November 2017, being the latest practicable date.

B10. Dividends

During the current quarter, the Company declared an interim dividend of 2.00 sen per ordinary share under single tier system for current financial year on 10 August 2017 and fully paid the same on 08 September 2017 (30 September 2016: A dividend of 2.0 sen per ordinary share).

Total net dividends declared for the current financial year is 2.00 sen per ordinary share (30 September 2016: 2.00 sen per ordinary share).

B11. Earnings Per Share

	Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
(Loss)/Profit for the period attributable to owners of the Company (RM'000)	(846)	1,906	(155)	4,309
Weighted average number of ordinary shares in issue ('000)	161,250	161,250	161,250	161,250
Basic earnings per share (sen)	(0.52)	1.18	(0.10)	2.67

Note: Computation of diluted earnings for share is not applicable as there are no outstanding shares to be issued.

B12. Realised and Unrealised Retained Profits

The breakdown of retained profits of the Group as at end of current financial period and end of preceding financial year into realised and unrealised profits or losses are as follows:-

	As at	As at
	30/09/2017 RM'000	31/03/2017 RM'000
Total retained profits		
i) Company and its subsidiaries		
- realised	53,950	57,589
- unrealised	(1,678)	(633)
	52,272	56,956
ii) Associated companies		
- realised	3,484	2,564
	55,755	59,520
iii) Less : Consolidation adjustments	(7,010)	(7,395)
Group total retained profits as per unaudited consolidated accounts	48,745	52,125

The determination of realised and unrealised profits or losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities ACE Market Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.



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B13. (Loss)/Profit for the Period

	Quarter Ended		Financial Period Ended	
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period is arrived at after crediting:-				
Interest income	182	222	428	392
Other income	56	34	99	38
Foreign exchange gain	18	160	18	1,181
and after charging:-				
Depreciation	790	764	1,578	1,413
Provision for/write off of inventories	196	(35)	473	149
Loss on derivatives	-	58	-	112
Foreign exchange loss	223	75	373	662

There were no gain or loss on disposal of quoted or unquoted investments or properties, impairment of assets or exceptional items for current quarter and financial period ended 30 September 2017 (30 September 2016: Nil).